
IN THE MATTER OF:)	
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)	
District Capital Management, LLC)	ADMINISTRATIVE ORDER
)	ORDER NO: SB-CO-03-22
)	
Respondent)	
)	
)	

ADMINISTRATIVE CONSENT AGREEMENT AND ORDER

WHEREAS, District Capital Management, LLC (“District Capital” or the “Respondent”) is an investment adviser licensed with the District of Columbia Department of Insurance, Securities and Banking (“the Department”) in the District of Columbia with a Financial Industry Regulatory Authority Central Registration Depository (“CRD”) number of 167317 and its main office located at 830 N. Frederick Street, Arlington, VA 22205;

WHEREAS, in connection with the submission of an application on behalf of an employee (the “Individual”) for a license to act as an investment adviser representative of District Capital in the District of Columbia, District Capital disclosed to the Department that the Individual had previously provided investment adviser services to sixteen (16) District Capital clients located in the District of Columbia prior to the application (*i.e.*, while not licensed in the District of Columbia);

WHEREAS, the Commissioner of the Department having the authority to administer and provide for enforcement of the District of Columbia Securities Act of 2000 (D.C. Official Code § 31-5601.01 et seq.) (“The D.C. Securities Act”), pursuant to D.C. Official Code §§ 31-5607.01 and 31-5606.02, and upon due consideration of the subject matter hereof has determined that grounds exist to allege that respondent engaged in acts or practices resulting in violations of §§

202(a) and (b) and 501(3) of the Securities Act (D.C. Official Code §§ 31-5602.02(a) and (b) and §5605.01(3)) as well as D.C. Mun. Regs. tit. 26-B, §§ 168.1 and 168.5;

WHEREAS, Respondent admits the findings of fact and conclusions of law contained herein and voluntarily consents to the entry of this order;

WHEREAS, Respondent elects to waive permanently any right to a hearing, appeal, or judicial review regarding this consent order under any applicable statutes and municipal regulations, including the Securities Act § 602, D.C. Official Code § 31-5606.02; the Department's Rules of Practice and Procedures for Hearings, D.C. Mun. Regs. tit. 26, §26-B300 *et. seq.*; and the District of Columbia Administrative Procedure Act, D.C Code § 2-501 *et. seq.*

WHEREAS, solely for the purpose of settlement of the issues contained in this Order, Respondent consents to the entry of this Order.

NOW, THEREFORE, the Commissioner, as administrator of the D.C. Securities Act, hereby enters this Order:

FINDINGS OF FACT

1. The Department has jurisdiction over this matter pursuant to D.C. Official Code § 31-5607.01.
2. This action concerns the period from September 11, 2021 through August 23, 2022.
3. Respondent District Capital Management, LLC ("District Capital") is an investment adviser licensed with the Department in the District of Columbia with a Financial Industry Regulatory Authority Central Registration Depository ("CRD") number of 167317 and its principal business office located at 830 N. Frederick Street, Arlington, VA 22205;

4. Alvin Carlos (“Carlos”) is managing partner and chief compliance officer of District Capital and an investment adviser representative licensed with the Department in the District of Columbia with a CRD number of 167317. Carlos is the designated principal assigned to supervise the Individual, per the requirements of D.C. Code Mun. Regs. tit. 26-B, § 168

5. On June 29, 2022, Carlos submitted an application to the Department on behalf of District Capital to license the Individual as an investment adviser representative in the District of Columbia.

6. On July 12, 2022, the Department sent an email to Carlos requesting additional information and forms in connection with the application.

7. On July 13, 2022, Carlos called the Department requesting additional instructions regarding the licensing requirements for investment adviser representatives as well as guidance as to what constitutes investment adviser services in the District. The Department provided additional information and referred Carlos to the Securities Act of 2000 for the District’s definition of an investment adviser representative.

8. On July 15, 2022, Carlos submitted via email to the Department the Individual’s Certified Financial Planning certificate issued by the Certified Financial Planner Board of Standards, an Investment Adviser Representative Affidavit, and a list of sixteen (16) District Capital clients to whom the Individual had provided services. District Capital entered into contracts with those clients on various dates between September 11, 2021 and June 18, 2022. Carlos’s email stated in part “We realize we are tardy in our request to have [the Individual] be registered as an IAR in Washington, DC. As such, we have taken steps in our onboarding

process to make sure we will be timely in potential future IAR registration requests in other states.”

9. On July 18, 2022, the Department emailed Carlos requesting a more detailed description of specific services provided by the Individual to District Capital clients residing in the District of Columbia.

10. On July 22, 2022, at Carlos’s direction, an employee of District Capital sent the Department a spreadsheet containing details of the investment advice provided by the Individual to District Capital Clients and indicating that the clients had paid \$36,350.00 in fees for the services. The spreadsheet also stated the following: “All of the . . . clients were provided comprehensive financial planning services . . . Investment advice given to the above clients was under the direction and supervision of Alvin Carlos, who is a registered investment adviser representative in Washington, DC.”

11. On July 25, 2022, the Individual emailed the Department a copy of their “clean hands” certificate issued by the D.C. Office of Tax and Revenue. This was the final document needed to complete the Individual’s application for registration as an Investment Adviser Representative in the District of Columbia.

12. On August 4, 2022, the Department emailed Carlos asking for additional information about the fees paid by the sixteen clients previously served by the Individual and whether the Individual received all or a portion of the fees. The Department also asked for further information about the type of communications that the Individual had with the clients and whether the Individual spoke directly with clients in connection with the advice and services provided.

13. On August 5, 2022, Carlos responded via email stating:

“The entire sum was collected by District Capital.
[The Individual] receives a fixed salary, none of which was directly tied to any of the services rendered to the Clients in question.

[The Individual] communicated with these clients via email, Monday.com (online task manager), and Zoom.

[The Individual] spoke directly to these clients regarding their portfolios, but only about rebalances and changes that I had previously discussed with her and directed as there is a team approach to the management of these Clients.”

14. On August 23, 2022, Carlos spoke by phone with Department personnel to discuss the matter. In that call, Carlos acknowledged that the Individual had provided investment adviser services to sixteen District Capital clients prior to registration and agreed that the firm failed to license the Individual in a timely manner. Carlos indicated that the failure to license the Individual in a timely manner was due to an oversight. Carlos also indicated that District Capital is taking steps to prevent recurrence of such a registration oversight in the future.

15. On September 19, 2022, Carlos and a consultant hired by District Capital spoke via videoconference with Department personnel and reconfirmed that the Individual had provided investment advisor services to sixteen District Capital clients and provided additional detail as to the content of the discussions. Carlos also reconfirmed that District Capital was responsible for obtaining the Individual’s license and had failed to do so in a timely manner.

16. Carlos and District Capital have been fully cooperative with the Department in this matter and responsive to its requests for information.

17. Neither Carlos, the Individual, nor District Capital have any customer complaints or adverse regulatory actions in their CRD record.

18. None of the sixteen clients have submitted any complaints about the services provided.

CONCLUSIONS OF LAW

1. By employing an investment advisor who provided investment advisor services to sixteen District of Columbia residents without being licensed as an investment advisor representative in the District of Columbia, Respondent District Capital violated §202 (b) of the Securities Act (D.C. Official Code §§ 31-5602.02(b)).

2. By failing to ensure that one of its employees was licensed as an investment advisor representative in the District of Columbia before providing investment advisor services to District of Columbia residents, Respondent District Capital violated D.C. Mun. Regs. tit. 26-B §§ 168.1 (which requires investment advisors to “exercise diligent supervision over the investment advisory activities of its investment adviser representatives”) and 168.5 (which requires an investment advisor “to ascertain that its investment advisor representatives have been properly licensed prior to rendering investment advice”).

AGREEMENT

1. On the basis of the foregoing, Respondent and the Department agree to settle this matter under the following terms.

2. Respondent District Capital shall pay a civil penalty and registration fees in the amount of \$10,090.00 comprised of a \$10,000.00 fine for violations alleged herein and \$90.00 for unpaid registration fees in the amount of \$45.00 for 2021 and 2022 of. The civil penalty may be paid in two installment payments made payable to the “D.C. Treasurer” to be deposited into the District’s general fund pursuant to D.C. Official Code § 1-204.50.

- a. District Capital shall submit the first payment in the amount of \$5,090 to the Department within 10 calendar days of the execution of this consent order.
 - b. District Capital shall submit the second payment in the amount of \$5,000.00 no later than six months from the execution of this consent order.
3. The Department agrees to approve the Individual as a licensed investment adviser representative in the District within five business days of receipt of the above payment.
4. This consent order is entered into solely for the purpose of resolving the matter referenced herein and is not intended to be used for any other purpose.
5. This consent order concludes the concerns of the Department and any other action that the Commissioner could commence on behalf of the District as it relates to this matter.
6. This consent order is not intended by the Department to subject District Capital or any of its affiliates or their current or former officers directors or employees or the Individual to any disqualifications under the laws of the United States, any state, the District of Columbia, Puerto Rico or the US Virgin Islands or under the rules and regulations of any securities or commodities regulator or self-regulatory organization, including without limitation any disqualification from relying upon state or federal registration exemptions or safe harbor provisions under various state and federal securities laws and regulations.

RESPONDENT
AGREED AND CONSENTED TO:

By: 
Respondent, District Capital Management, LLC,
by Alvin Carlos, Managing Partner and Chief Compliance Officer

DEPARTMENT OF INSURANCE, SECURITIES AND BANKING
AGREED AND CONSENTED TO:

By: *Stephen Bouchard*
Stephen Bouchard (Sep 30, 2022 12:58 EDT)

Stephen Bouchard, Associate Commissioner for Securities
District of Columbia Department of Insurance, Securities and Banking

APPROVED AND SO ORDERED

In witness whereof, I have hereunto set my hand and affixed the official seal of the Department of Insurance, Securities and Banking in the District of Columbia

Karima M. Woods  Digitally signed by Karima M.
Woods
Date: 2022.10.18 16:48:58 -04'00'

Karima M. Woods
Commissioner

SEAL

Dated 10/18/22